

A thick, dark gray L-shaped line is positioned on the left side of the page. It consists of a vertical line extending from the top to the bottom, and a horizontal line extending from the vertical line at the top towards the right edge of the page.

# **KAGISANO-MOLOPO LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

**CONTACT INFORMATION**

**MUNICIPAL MANAGER**

Name:	A.R. Khuduge
Contact nr:	(053) 998 4455
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**CHIEF FINANCIAL OFFICER (ACTING)**

Name:	O.O. Ntsimane
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**CONTACT AT NATIONAL TREASURY**

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**EXTERNAL AUDITOR**

Name:	Auditor-General of South Africa
Contact person:	Lorraine van der Gruyp
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**REGISTERED OFFICE AND PHYSICAL ADDRESS**

Municipal Offices  
Next to Ganeysa Clinic  
Chief Block Section  
8613

**POSTAL ADDRESS**

Private Bax X522  
Ganyesa  
8613

**MUNICIPAL TELEPHONE NUMBER**

053 988 4455

**MUNICIPAL FAX NUMBER**

053 988 3711

**MUNICIPAL EMAIL ADDRESS**

ntsimaneo@kmlm.gov.za

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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**GENERAL INFORMATION**

**Members of the Council**

*K.V Kekesi*

*S. K. M. Namusi*

*B.C. Chichindua*

*B.B. Dithakgwe*

*S.R. Modise*

*K. S. Moreki*

*T.V. Setae*

*T Baakanyang*

*K Baepi*

*L Bahumi*

*Z Cufa*

*M Diphikwe*

*L Gaobepe*

*T Kegakilwe*

*B Keitebetse*

*O Letlhogile*

*T Lenner*

*T Loabile*

*L Makwati*

*T Letlhogile*

*K Mekgwe*

*T Matlhe*

*T Miguel*

*B Mothibi*

*A Molale*

*P Mmereki*

*N Muller*

*M Ntlhaile*

*K Nthebotsenyane*

*S Ngamole*

*T Olaotswe*

*O Phillip*

*I Ratshipa*

*M Sedumecwe*

*M Seeletso*

*N Seswai*

**Mayor**

**Speaker**

**Member of the Executive Committee**

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member

Member

Member

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Member

**Municipal Manager**

A.R. Khuduge

**Chief Financial Officer (Acting)**

O.O. Ntsimane

**Grading of Local Authority**

Grade 2

**Auditors**

The Auditor General of South Africa

**Bankers**

ABSA

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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**ACCOUNTING OFFICERS RESPONSIBILITIES AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The external auditors will express an opinion on whether the financial statements are prepared, in all material aspects, in accordance with the reporting framework and will be given unrestricted access to all financial records and related data.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality is wholly dependent on the grant funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern. The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements, which are prepared on the going concern basis as set out on pages 8 to 62 have been signed by myself on behalf of the Municipality on 31 August 2015

A.R. Khuduge  
Accounting Officer

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

These management financial statements are prepared in terms of the Section 122 of the MFMA and presents a report on the status of this municipality's performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 June 2015.

**2. BASIS OF ACCOUNTING**

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance as detailed in the Significant Accounting Policies section.

**3. REVIEW OF OPERATING RESULTS**

**3.1 General**

Details of the operating results per vote and classification of revenue and expenditure are included in Appendices D and E. The overall operating results for the period ended 30 June 2015 are as follows:

	<b>Actual 2014 R</b>	<b>Actual 2015 R</b>	<b>Variance 2014/2015 %</b>	<b>Budget 2015 R</b>	<b>Variance Actual/Budget %</b>
Revenue	123 468 855	125 748 004	2%	104 373 000	18.3%
Expenditure	-128 592 522	-151 828 049	15%	-129 137 008	-0.4%
Other	-	-1 704 214	0%	-	-100.0%
<b>Nett surplus for the year</b>	<b>-5 123 667</b>	<b>-27 784 259</b>	<b>442.3%</b>	<b>-24 764 008</b>	<b>12.2%</b>

For explanations of significant variances refer **Appendix D.**

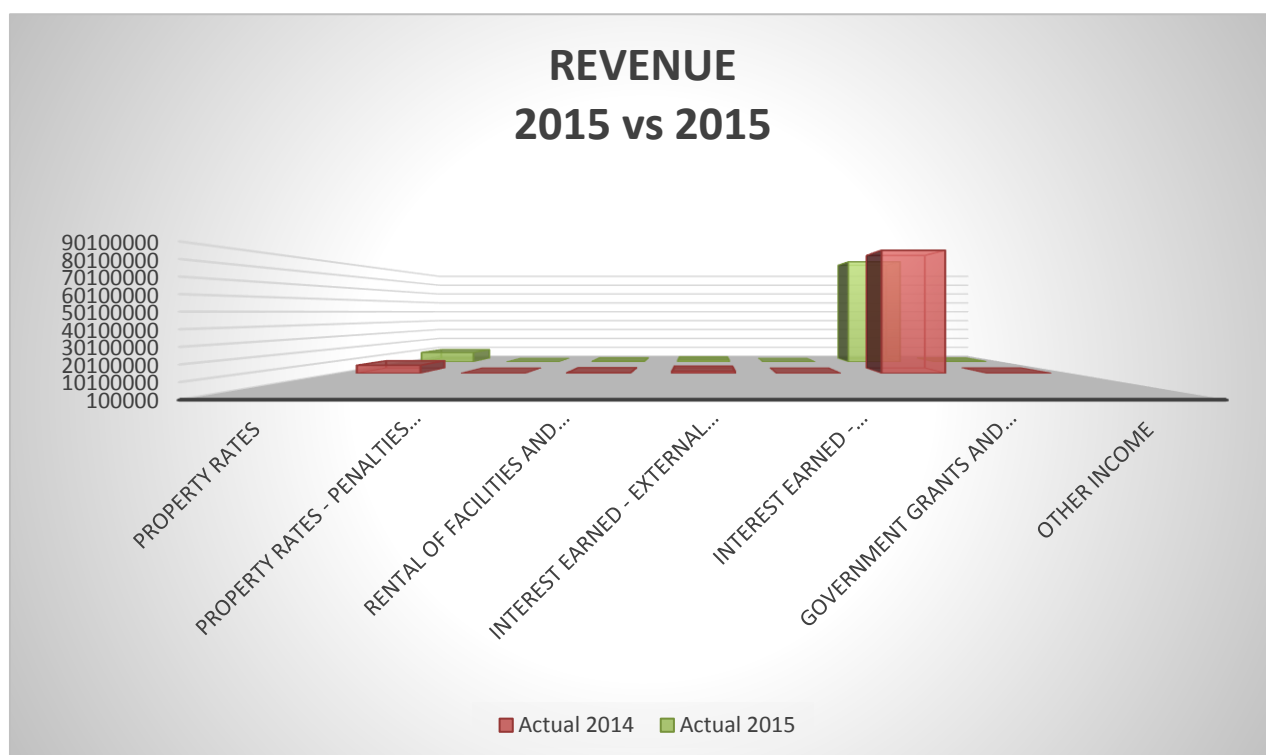
**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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**3.2 Revenue**

The detail breakdown of operating revenue is as follows for the period ended 30 June 2015:

	<b>Actual 2014 R</b>	<b>Actual 2015 R</b>	<b>Variance 2014/2015 %</b>	<b>Budget 2015 R</b>	<b>Variance Actual/Budget %</b>
Property Rates	6 692 201	9 547 738	42.7%	9 804 000	3%
Property rates - penalties imposed and collection charges	-	-	100.0%	-	0%
Rental of facilities and equipment	509 821	852 383	67.2%	1 250 000	47%
Interest earned - External Investments	1 865 683	1 843 835	-1.2%	1 100 000	-40%
Interest earned - Outstanding Receivables	-	-	0.0%	-	0%
Government grants and subsidies	114 182 911	112 930 968	-1.1%	91 589 000	-19%
Other income	218 239	573 079	162.6%	630 000	10%
<b>Total revenue</b>	<b>123 468 855</b>	<b>125 748 004</b>	<b>1.8%</b>	<b>104 373 000</b>	<b>-17.0%</b>

For explanations of significant variances refer **Appendix D**.

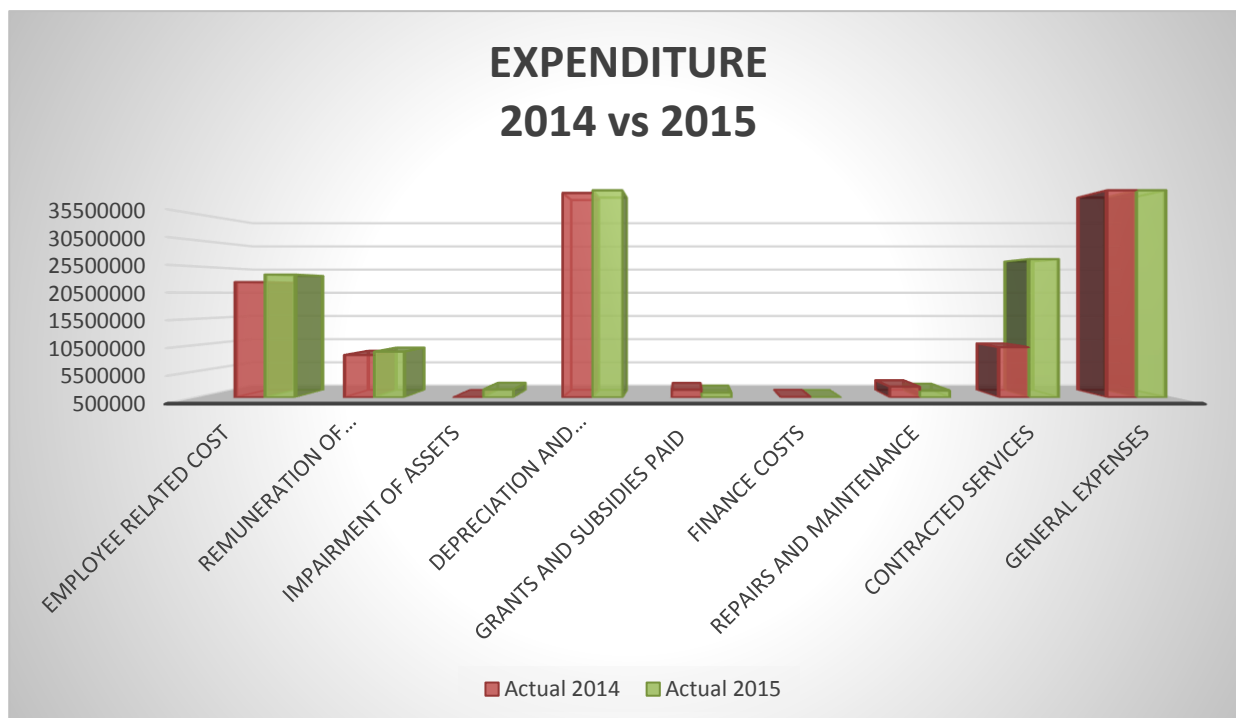


**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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**3.3 Expenditure**

	Actual 2014 R	Actual 2015 R	Variance 2014/2015 %	Budget 2015 R	Balance remaining on %
Employee related cost	22 515 681	23 945 237	6.349%	27 204 951	14%
Remuneration of councillors	8 604 101	9 241 574	7.4%	9 113 624	-1%
Impairment of Assets	347 718	2 016 229	0.0%	2 836 000	41%
Depreciation and amortisation	39 496 016	41 963 012	0.0%	21 800 000	-48%
Grants and subsidies paid	1 990 903	1 444 971	100.0%	1 350 000	-7%
Finance Costs	561 653	302 376	-46.2%	125 000	-59%
Repairs and maintenance	2 546 544	1 827 546	-28.2%	1 580 000	-14%
Contracted services	10 089 956	26 881 035	166.4%	24 380 000	-9%
General Expenses	42 439 952	44 206 068	4.2%	40 747 433	-8%
<b>Total expenditure</b>	<b>128 592 522</b>	<b>151 828 049</b>	<b>18.1%</b>	<b>129 137 008</b>	<b>-14.9%</b>

For explanations of significant variances refer [Appendix D](#).



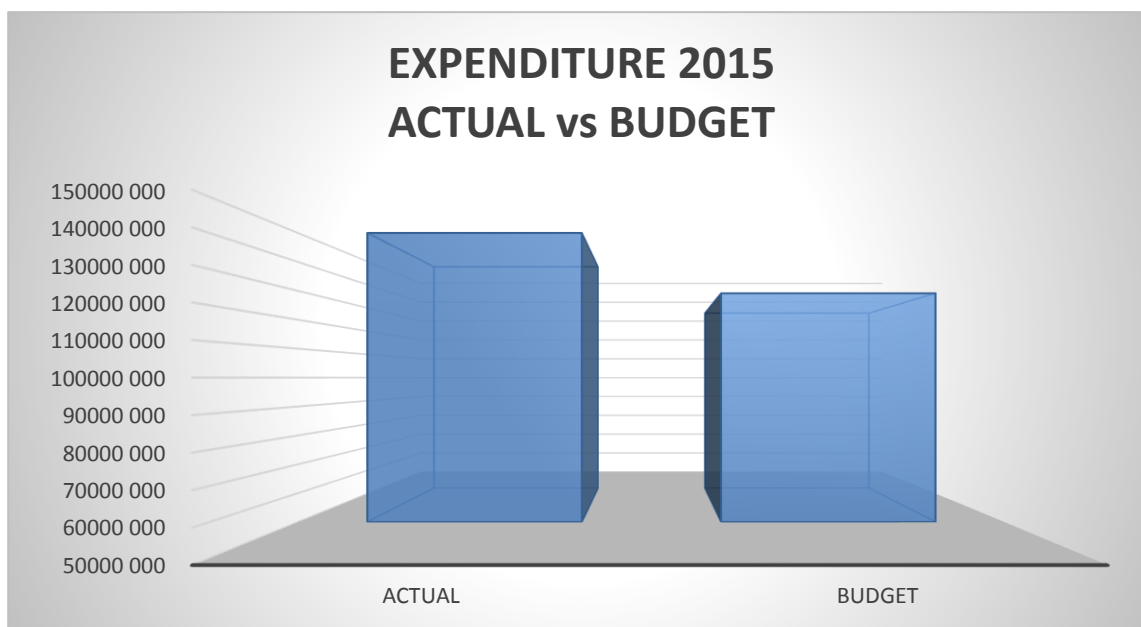


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**3.4 Budget**

The total operating budget performance is summarized as follows:

	<b>Actual 2014/2015 R</b>	<b>Budget 2015 R</b>	<b>Balance remaining on budget</b>	
			<b>R</b>	<b>%</b>
Expenditure	151 828 049	129 137 008	-22 691 041	-18%



**4. CONDITIONAL GRANTS**

	<b>Unspent Grant Opening Balance</b>	<b>Current year receipts</b>	<b>Conditions met</b>	<b>Unspent Grant Closing Balance</b>
		<b>R</b>	<b>R</b>	<b>R</b>
MIG Grant	4 848 222	28 383 000	(33 231 221)	-
DSAC - Libraries	927 173	580 000	(626 748)	880 425
FMG Grant	-	2 588 000	(2 588 000)	-
MSIG Grant	-	930 000	(930 000)	-
EPWP Grant	-	1 000 000	(1 000 000)	-
LGSeta	206	56 700	-	56 906
<b>Total</b>	<b>5 775 601</b>	<b>33 537 700</b>	<b>-38 375 969</b>	<b>937 331</b>

**5. CONCLUSION**

I would like to extend my appreciation to the Mayor, Councillors, Municipal Manager, Management, all staff members and all other role players for their support, assistance and participation in getting the job done in the 2014/2015 financial year to date.

**O.O. Ntsimane (Acting)**  
**31 August 2015**

## **KAGISANO-MOLOPO LOCAL MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS**

for the year ending 30 June 2015

## **SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS**

### **1 BASIS OF ACCOUNTING**

#### **1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) including any exemptions and directives issued by the accounting standards board (ASB).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### **1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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**1.5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION AND UNCERTAINTY**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET**

**1.6 EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:

<b><u>GRAP Standard</u></b>	<b><u>Effective date as determined by Minister of Finance</u></b>	<b><u>Possible Impact on the financial statements on initial application</u></b>
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of nature and effect all related party transactions of management, their close members of family,
GRAP 108 - Statutory Receivables	Unknown	Recognition and measurement of statutory receivables. Disclosure of statutory receivables to enable users of the financial statements to evaluate the significance of statutory receivables on its financial position and performance.

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**2 PROPERTY, PLANT AND EQUIPMENT**

**2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**2.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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**2.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>	
Roads network	10-70
Electricity network	45
Stormwater network	30-50
Landfill Site Perimeter Protection and structures	10-55
<b>Community</b>	
Buildings	30
Recreational Facilities	30
Cemeteries	30
Halls	30
Libraries	30
Civic Buildings	30
Other assets	15-30
<b>Other</b>	
Office equipment	7
Furniture and fittings	7
Emergency equipment	5
Computer equipment	5
Machinery and Equipment	5-10
Official Vehicles	7
Other assets	5-10

The residual value and the useful life of an asset is reviewed at each reporting date to determine if there is any indication that the municipality's expectations about the residual value and the useful life of the asset have changed since the preceding reporting period. If any such indication exists, the municipality shall revise the expected useful life and/or residual value accordingly. Any changes are recognised as a change in accounting estimate in accordance with GRAP 3 in the Standard of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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## **2.4 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **3 INTANGIBLE ASSETS**

### **3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### **3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

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### **3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### **3.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4 INVESTMENT PROPERTY**

### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

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**5 NON-CURRENT ASSETS HELD FOR SALE**

**5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**5.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

**6 INVENTORIES**

**6.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**6.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.



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**7 FINANCIAL INSTRUMENTS**

**7.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

**7.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Financial assets and financial liabilities after initial recognition using the following categories:

- at fair value;
- at amortised cost;
- at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review at each reporting date.

**7.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**7.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as *current*

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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**7.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables, accruals, borrowings and consumer deposits. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**7.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**8 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**9 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**10 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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**11 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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**12 LEASES**

**12.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

**12.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**13 REVENUE**

**13.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

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**13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**13.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**14 EXPENDITURE**

Expenditure is recognised once there is a decrease in economic benefits or service potential during the financial period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

**15 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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**16 RETIREMENT BENEFITS**

**Defined Contribution Plan**

The municipality provides retirement benefits for its employees and councillors

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions

**17 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
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**18 HERITAGE ASSETS**

**18.1 INITIAL RECOGNITION**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

**18.2 SUBSEQUENT MEASUREMENT - COST MODEL**

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses

**18.3 DEPRECIATION AND IMPAIRMENT**

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**18.4 DERECOGNITION**

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**19 CAPITAL COMMITMENTS**

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-end.

**20 VALUE ADDED TAXATION (VAT)**

The municipality accounts for value added taxation on the payment basis

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ending 30 June 2015

**21 EMPLOYEE BENEFITS**

**21.1 LONG-SERVICE AWARDS**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued at each reporting date by an independent qualified actuary and the corresponding liability is raised.

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**22 RELATED PARTIES**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.



**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2015

	Note	2015 R	2014 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	26 096 227	26 602 778
Trade receivables from non-exchange transactions	2.1	477 447	11 692 887
Trade receivables from exchange transactions	2.2	823 105	735 237
Other receivables from non-exchange transactions	3	511 675	1 196 047
VAT receivable	4	11 056 109	16 427 335
<b>Non-current assets</b>			
Property, plant and equipment	5	943 507 293	945 901 032
Intangible Assets	6	105 727	80 191
Investment Properties	7	41 593 000	41 229 000
<b>Total assets</b>		<b>1 024 170 582</b>	<b>1 043 864 506</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	8	16 775 742	15 567 160
Current provisions	9	22 330 265	11 010 592
Current portion of unspent conditional grants and receipts	10	937 332	5 775 600
<b>Non-current liabilities</b>			
Non-current provisions	11	698 115	661 766
<b>Total liabilities</b>		<b>40 741 454</b>	<b>33 015 118</b>
<b>Net assets</b>		<b>983 429 128</b>	<b>1 010 849 388</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		983 429 129	1 010 849 389
<b>Total net assets</b>		<b>983 429 129</b>	<b>1 010 849 389</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2015

	Note	2015 R	2014 R
<b>Revenue from non-exchange transactions</b>			
Property Rates	12	9 547 738	6 692 201
Government grants and subsidies	15	112 930 968	114 182 911
<b>Revenue from exchange of transactions</b>			
Rental of facilities and equipment	13	852 383	509 821
Interest earned - External Investments	14	1 843 835	1 865 683
Other income	16	573 079	218 239
<b>Total revenue</b>		<b>125 748 004</b>	<b>123 468 855</b>
<b>Expenses</b>			
Employee related cost	17	23 945 237	22 515 681
Remuneration of councillors	18	9 241 574	8 604 101
Impairment of Assets	19	2 016 229	347 718
Depreciation and amortisation	21	41 963 012	39 496 016
Grants and subsidies paid	20	1 444 971	1 990 903
Finance Costs	22	302 376	561 653
Repairs and maintenance		1 827 546	2 546 544
General Expenses	23	44 206 068	42 439 952
Contracted services	24	26 881 035	10 089 956
<b>Total expenses</b>		<b>151 828 049</b>	<b>128 592 522</b>
Gain / (loss) on sale of assets	25	(1 704 214)	(297 019)
Gain / (loss) on fair value adjustments		364 000	(863 648)
<b>Surplus / (deficit) for the period</b>		<b>(27 420 259)</b>	<b>(6 284 335)</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2015

	<b>Note</b>	<b>Total Net Assets</b>
<b>Balance at 30 June 2013</b>		318 965 898
Correction of Error	<b>28</b>	698 167 823
<b>Restated balance at 30 June 2013</b>		<b>1 017 133 723</b>
Surplus / (deficit) for the period		(6 284 335)
<b>Balance at 30 June 2014</b>		<b>1 010 849 388</b>
Surplus / (deficit) for the period		(27 420 259)
<b>Balance at 30 June 2015</b>		<b>983 429 128</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
as at 30 June 2015

	Note	2015 R	2014 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		136 076 678	80 066 429
Sales of goods and services		18 659 081	14 215 867
Grants		108 092 700	72 955 206
Interest received		1 843 835	1 865 683
Other receipts		7 481 061	(8 970 327)
Payments		95 284 204	62 519 516
Employee costs		21 830 789	20 004 095
Suppliers		73 151 038	41 953 769
Interest paid		302 376	561 653
Other payments		-	-
<b>Net cash flows from operating activities</b>	<b>26</b>	<b>40 792 474</b>	<b>17 546 913</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(41 255 691)	(45 859 634)
Purchase of intangible assets		(59 649)	(90 274)
Proceeds from sale of fixed assets		16 317	1 179 715
<b>Net cash flows from investing activities</b>		<b>(41 299 023)</b>	<b>(44 770 192)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(506 549)</b>	<b>(27 223 279)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>26 602 778</b>	<b>53 826 056</b>
<b>Net cash and cash equivalents at end of period</b>	<b>27</b>	<b>26 096 228</b>	<b>26 602 777</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

	Note	2015 R	2014 R
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**1 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash at bank		2 166 699	3 889 624
Short-term Investments		23 929 528	22 713 154
		<b>26 096 227</b>	<b>26 602 778</b>

**Cash at bank**

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account) - ABSA Acc nr: 407801332**

Cash book balance at beginning of year		3 889 624	17 714 001
Cash book balance at end of year		<b>2 166 699</b>	<b>3 889 624</b>
Bank statement balance at beginning of year		3 896 074	17 714 001
Bank statement balance at end of year		<b>2 166 699</b>	<b>3 896 074</b>

**SHORT-TERM DEPOSITS**

**Cashbook Balance**

MIG (KMLM) - (FNB 62360911202)		21 751 610	20 646 078
FMG (KLML) (62371561062)		2 176 431	2 065 589
MIG Projects		1 487	1 487
		<b>23 929 528</b>	<b>22 713 154</b>

**Total cash and cash equivalents**

<b>26 096 227</b>	<b>26 602 778</b>
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*No financial assets have been pledged as collateral for liabilities*

2 TRADE RECEIVABLES	Gross Balances	Provision for Impairment	Net Balance
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**2.1 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

**as at 30 June 2015**

Rates and Taxes	6 690 496	(6 213 049)	477 447
<b>Total</b>	<b>6 690 496</b>	<b>(6 213 049)</b>	<b>477 447</b>

**as at 30 June 2014**

Rates and Taxes	16 050 041	(4 357 155)	11 692 886
<b>Total</b>	<b>16 050 041</b>	<b>(4 357 154)</b>	<b>11 692 887</b>

**as at 30 June 2015**

**Rates and Taxes**

Current (0 – 30 days)	-	-	-
31 - 60 Days	-	-	-
61 - 90 Days	-	-	-
+ 91 Days	6 690 496	(6 213 049)	477 447
<b>Total</b>	<b>6 690 496</b>	<b>(6 213 049)</b>	<b>477 447</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

	<b>Note</b>	<b>2015 R</b>	<b>2014 R</b>
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**2.2 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**as at 30 June 2015**

Rental Receivables

**Total**

1 374 859	(551 754)	823 105
<b>1 374 859</b>	<b>(551 754)</b>	<b>823 105</b>

**as at 30 June 2014**

Rental Receivables

**Total**

1 126 656	(391 419)	735 237
<b>1 126 656</b>	<b>(391 419)</b>	<b>735 237</b>

**Rental Receivables**

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

+ 91 Days

**Total**

73 445	(27 804)	45 641
60 340	(23 337)	37 003
58 360	(22 397)	35 962
1 182 714	(478 216)	704 499
<b>1 374 859</b>	<b>(551 754)</b>	<b>823 105</b>

**Summary of Debtors by Customer Classification**

**as at 30 June 2015**

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

+ 91 Days

Sub-total

Less: Provision for doubtful debts

**Total debtors by customer classification**

**Consumers**

73 445

60 340

58 360

7 873 210

**8 065 355**

(6 764 803)

**1 300 552**

**Reconciliation of the impairment provision**

Balance at beginning of the year

Contributions to provision

Doubtful debts written off against provision

Reversal of provision

**Balance at end of year**

(4 748 573)	(4 400 855)
(2 016 230)	(355 344)
-	-
-	7 626
<b>(6 764 803)</b>	<b>(4 748 573)</b>

**Trade receivables past due but not impaired**

Trade receivables which are less than 3 months past due are normally not considered to be impaired. At 30 June 2015 the following were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

- 1 month past due

- 2 months past due

- 3 months past due

37 003
35 962
704 499
<b>777 464</b>

**Trade receivables impaired**

As of 30 June 2015, the provision for the impairment of trade and other receivables of R6 764 803 (30 June 2014: R4 393 229) were impaired and provided for.

The amount of the contribution to the provision was R2 843 695 (30 June 2014: R0).

The ageing of these receivables is as follows:

- Over 3 months

7 873 210

The fair value of trade and other receivables approximates their carrying amounts.

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

	Note	2015 R	2014 R
<b>OTHER RECEIVABLES FROM NON-EXCHANGE</b>			
<b>3 TRANSACTIONS</b>			
Other debtors		233 802	677 740
Prepayments		277 873	518 307
<b>Total Other Debtors</b>		<b>511 675</b>	<b>1 196 047</b>
<b>4 VAT RECEIVABLE</b>			
VAT receivable		11 056 109	16 427 335
<b>Total VAT Receivable</b>		<b>11 056 109</b>	<b>16 427 335</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

**5 PROPERTY, PLANT AND EQUIPMENT**

**5.1 Reconciliation of Carrying Value**

**as at 1 July 2014**

Cost/Revaluation

Under Construction/WIP

Accumulated depreciation and impairment losses

Acquisitions

Capital under Construction - Capitalised

Capital under Construction

Other Movements

Depreciation

Carrying value of disposals

Cost/Revaluation

Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss

Transfers

**as at 30 June 2015**

Cost/Revaluation

Under Construction/WIP

Accumulated depreciation and impairment losses

Land	Buildings	Infrastructure	Community Assets	Other Assets	Total
R	R	R	R	R	R
<b>149 307</b>	<b>29 256 554</b>	<b>756 906 998</b>	<b>141 068 629</b>	<b>18 519 543</b>	<b>945 901 031</b>
149 307	36 054 765	935 937 932	140 294 850	23 175 208	1 135 612 062
		8 530 212	29 029 321		37 559 533
-	(6 798 211)	(187 561 145)	(28 255 543)	(4 655 666)	(227 270 564)
-	82 050	19 452 880	25 422 265	2 385 142	47 342 336
-	-	(17 650 264)	(39 941 604)	-	(57 591 868)
-	-	23 108 520	28 396 703	-	51 505 223
-	-	-	-	(2 650 842)	(2 650 842)
-	(1 209 871)	(32 432 737)	(4 869 201)	(3 417 091)	(41 928 899)
-	-	-	-	<b>930 312</b>	<b>930 312</b>
-	-	-	-	(8 233)	(8 233)
-	-	-	-	938 545	938 545
-	-	-	-	-	-
-	-	-	-	-	-
<b>149 307</b>	<b>28 128 733</b>	<b>749 385 397</b>	<b>150 076 791</b>	<b>15 767 064</b>	<b>943 507 293</b>
149 307	36 136 815	955 390 811	165 717 115	22 901 275	1 180 295 323
-	-	13 988 468	17 484 420	-	31 472 888
-	(8 008 082)	(219 993 882)	(33 124 744)	(7 134 211)	(268 260 918)

Refer to APPENDIX A for more detail on property, plant and equipment



**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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for the year ended 30 June 2014

**5.2 Reconciliation of Carrying Value**

**as at 1 July 2013**

Cost/Revaluation

Under Construction/WIP

Accumulated depreciation and impairment losses

Acquisitions

Capital under Construction - Capitalised

Capital under Construction

Other Movements

Depreciation

Carrying value of disposals

Cost/Revaluation

Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss

Transfers

Other movements

**as at 30 June 2014**

Cost/Revaluation

Under Construction/WIP

Accumulated depreciation and impairment losses

	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Total R
	<b>149 307</b>	<b>30 458 380</b>	<b>769 110 662</b>	<b>129 595 913</b>	<b>16 932 398</b>	<b>946 246 659</b>
Cost/Revaluation	149 307	36 054 765	899 057 906	127 486 360	20 949 571	1 083 697 909
Under Construction/WIP	-	-	26 244 155	26 115 550	-	52 359 705
Accumulated depreciation and impairment losses	-	(5 596 385)	(156 191 399)	(24 005 997)	(4 017 173)	(189 810 954)
Acquisitions	-	-	36 880 026	12 808 490	5 728 696	55 417 212
Capital under Construction - Capitalised	-	-	(36 880 026)	(12 808 490)	-	(49 688 516)
Capital under Construction	-	-	19 166 083	15 722 262	-	34 888 345
Other Movements	-	-	-	-	(389 932)	(389 932)
Depreciation	-	(1 201 826)	(31 369 746)	(4 249 545)	(2 570 036)	(39 391 153)
Carrying value of disposals	-	-	-	-	<b>(1 181 583)</b>	<b>(1 181 583)</b>
Cost/Revaluation	-	-	-	-	(3 113 126)	(3 113 126)
Accumulated depreciation and impairment losses	-	-	-	-	1 931 544	1 931 544
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
	<b>149 307</b>	<b>29 256 554</b>	<b>756 906 999</b>	<b>141 068 629</b>	<b>18 519 543</b>	<b>945 901 032</b>
Cost/Revaluation	149 307	36 054 765	935 937 932	140 294 850	23 175 208	1 135 612 062
Under Construction/WIP	-	-	8 530 212	29 029 321	-	37 559 533
Accumulated depreciation and impairment losses	-	(6 798 211)	(187 561 145)	(28 255 543)	(4 655 666)	(227 270 564)

Refer to APPENDIX A for more detail on property, plant and equipment

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
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**6 INTANGIBLE ASSETS**

**Computer Software**

**Reconciliation of carrying value**

**as at 30 June 2014**

Cost	80 191	-
Accumulated amortisation and impairment losses	90 274	-
	(10 083)	-

Acquisitions	59 649	90 274
Amortisation	(34 113)	(10 083)

**as at 30 June 2015**

Cost	105 727	80 191
Accumulated amortisation and impairment losses	149 923	90 274
	(44 196)	(10 083)

**7 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

**7.1 Reconciliation of fair value**

**Opening Balance**

Cost	41 229 000	40 929 000
	41 229 000	40 929 000

Fair value adjustment	364 000	300 000
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**Closing Balance**

	41 593 000	41 229 000
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**7.2 The Investment property has not been pledged as security**

**7.3 Details of investment properties**

*The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Ms Tanya Botha registered with the South African Council for the Property Valuers Profession (SACPVP) and South African Institute of Valuers (SAIV) as Professional Valuer in terms of the Property Valuers Profession Act, 2000 (Act no.47 of 2000), of DDP Valuers (Pty) Ltd. Ms Tanya Botha is not connected to the entity and have recent experience in location and category of the investment property being valued.*

*The valuation was based on open market value for existing use. For investment property, totalling R 3 414 000, where there was a lack of comparable market data, the valuation was based cost replacement method and indirect comparison method. All these methods are acceptable valuation methods.*

<b>7.4 Amounts recognised in surplus or deficit for the year</b>	<b>477 047</b>	<b>427 858</b>
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**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
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**8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors and Accruals		4 494 987	6 576 801
Retentions		6 305 793	3 572 768
Staff Leave Accrual		2 888 071	2 834 899
Bonus Accrual		378 351	423 153
Other creditors		2 708 540	2 159 540
<b>Total creditors</b>		<b>16 775 742</b>	<b>15 567 160</b>

The fair value of trade and other payables approximates their carrying amounts.

The movement for the 2014/15 year on the staff leave and bonus accrual are reconciled as follows:

	<b>Staff Leave Accrual</b>	<b>Bonus Accrual</b>
Opening Balance	<b>2 834 899</b>	<b>423 153</b>
Expenditure Incurred	(498 726)	(801 428)
Contributions	551 898	756 627
Closing Balance	<b>2 888 071</b>	<b>378 351</b>

**9 CURRENT PROVISIONS**

Current portion of long-service awards	50 466	37 466
Current portion of Legal Claim	440 000	440 000
Current Portion: Maintenance of Illegal/Dumping Site	21 839 799	10 533 126
<b>Total Provisions</b>	<b>22 330 265</b>	<b>11 010 592</b>

*Refer to note 11 for Non-Current Portion and Key Assumptions on Long-Service Awards and the Maintenance of the Illegal Dumping Site*

**11**

**10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**10.1 Unspent Conditional Grants from other spheres of Government**

MIG Grant	<b>15.2</b>	-	4 848 221
DSAC - Libraries	<b>15.3</b>	880 425	927 173
FMG Grant	<b>15.4</b>	-	-
EPWP Grant	<b>15.6</b>	-	-
LGSeta	<b>15.7</b>	56 906	206
<b>Total Unspent Conditional Grants and Receipts</b>		<b>937 332</b>	<b>5 775 600</b>

**Non-current unspent conditional grants and receipts**

**Current portion of unspent conditional grants and receipts**

-	-
<b>937 332</b>	<b>5 775 600</b>

*See Note 15 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.*

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

	Note	2015 R	2014 R
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**11 NON-CURRENT PROVISIONS**

Long-service awards		698 115	661 766
<b>Total</b>		<b>698 115</b>	<b>661 766</b>

*The movement in provisions are reconciled as follows:*

**LONG-SERVICE AWARDS**

<b>Opening Balance</b>		661 766	556 672
Contributions to provision		75 325	165 340
Expenditure incurred		(25 977)	(22 779)
Transfer to current provisions	<b>9</b>	(13 000)	(37 467)
<b>Closing Balance</b>		<b>698 115</b>	<b>661 766</b>

**Key Assumptions**

**Provision for Long-Service Award**

**Financial Assumptions:** It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

**Discount Rate:** The discount rate required by IAS19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. A greater emphasis is placed on the duration of the liabilities when determining the discount rate as per the revised IAS 19 requirements. With this in mind, we have set the discount rate by using the “best fit” discount rate at 30 June 2015 which we have based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 9 years. The recommended discount rate is 8,35%.

**General Salary Increase:** This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.25% and 1.5% above CPI inflation. We assessed the general salary increases over the last 3 years and thus a general average salary inflation rate of 7.04% per annum. It has been assumed that the next salary increase will take place in 1 July 2015

**Average Retirement Age:** The Municipality has a normal retirement age of 65. It has been assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement.

**KAGISANO-MOLOPO LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2015**

	Note	2015 R	2014 R
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**REVENUE** **12-16**

**The amount included in revenue arising from exchange of transactions are as follows:**

Rental of facilities and equipment	<b>13</b>	852 383	509 821
Income from agency services			
Other income - (rollup)	<b>16</b>	573 079	218 239
Interest received - investment	<b>14</b>	1 843 835	1 865 683
		<b>3 269 297</b>	<b>2 593 743</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

**Taxation revenue**

Property rates	<b>12</b>	9 547 738	6 692 201
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**Transfer revenue**

Government grants & subsidies	<b>15</b>	112 930 968	114 182 911
		<b>122 478 707</b>	<b>120 875 112</b>

**Details notes on the various revenue streams are set out below:**

**12 PROPERTY RATES**

**Actual**

Residential	201 828	2 580
Commercial	13 200	2 493 993
State	8 201 730	457 001
Farms and small holdings	7 540 878	4 708 800
Less: Rebates	(6 409 899)	(970 172)
<b>Total property rates</b>	<b>9 547 738</b>	<b>6 692 201</b>
Property rates - penalties imposed and collection charges	-	-
<b>Total</b>	<b>9 547 738</b>	<b>6 692 201</b>

**Valuations**

Residential	13 792 000	430 000
Commercial	3 993 637 111	1 510 731 600
State	279 684 000	156 960 000
Small holdings and farms	1 042 377 500	305 017 000
<b>Total Property Valuations</b>	<b>5 329 490 611</b>	<b>1 973 138 600</b>

*Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014. Supplementary valuations are processed on a yearly basis to take into account changes in individual property values due to alterations.*

*Rate tariffs are applied to properties as per property classification/category to determine assessment rates. Rebates of 85% are granted to farm property owners. Rates are levied on an annual basis on property owners.*

*Rates are levied on an annual basis with the final date of payment being the end of each financial year. Rates will be subject to a discount of 5% if paid on or before 30 September of each year*

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
<b>13 RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental of facilities and equipment		852 383	509 821
<b>Total rentals</b>		<b>852 383</b>	<b>509 821</b>
<b>14 INTEREST EARNED</b>			
External Investments		1 843 835	1 865 683
<b>Total interest</b>		<b>1 843 835</b>	<b>1 865 683</b>
<b>15 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable Share	15.1	74 555 000	69 916 000
MIG Grant	15.2	33 231 221	37 407 450
DSAC - Libraries	15.3	626 748	470 510
FMG Grant	15.4	2 588 000	3 244 955
MSIG Grant	15.5	930 000	1 018 996
EPWP Grant	15.6	1 000 000	2 125 000
LGSeta	15.7	-	-
<b>Total Government Grant and Subsidies</b>		<b>112 930 968</b>	<b>114 182 911</b>
<b>15.1 Equitable Share</b>			
<i>This grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.</i>		<b>74 555 000</b>	<b>69 916 000</b>
<b>15.2 MIG Grant</b>			
<b>Balance unspent at beginning of year</b>		4 848 222	43 809 672
Current year receipts		28 383 000	28 346 000
Conditions met - transferred to revenue		(33 231 221)	(37 407 450)
Previous year unspent not surrendered		-	(29 900 000)
<b>Conditions still to be met - remain liabilities (see note 10)</b>		<b>-</b>	<b>4 848 222</b>
<i>The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant &amp; equipment whilst the unspent portion of the grant is included in current liabilities.</i>			
<b>15.3 DSAC - Libraries</b>			
<b>Balance unspent at beginning of year</b>		927 173	817 683
Current year receipts		580 000	580 000
Conditions met - transferred to revenue		(626 748)	(470 510)
<b>Conditions still to be met - remain liabilities (see note 10)</b>		<b>880 425</b>	<b>927 173</b>
<i>This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software.</i>			

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

	Note	2015 R	2014 R
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**15.4 FMG Grant**

Balance unspent at beginning of year		-	2 246 955
Current year receipts		2 588 000	2 598 000
Conditions met - transferred to revenue		(2 588 000)	(3 244 955)
Previous year unspent not surrendered		-	(1 600 000)
<b>Conditions still to be met - remain liabilities (see note 10)</b>		<b>-</b>	<b>-</b>

*The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.*

**15.5 MSIG Grant**

Balance unspent at beginning of year		-	128 996
Current year receipts		930 000	890 000
Conditions met - transferred to revenue		(930 000)	(1 018 996)
<b>Conditions still to be met - remain liabilities (see note 10)</b>		<b>-</b>	<b>-</b>

*The grant is meant to assist the municipality to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy*

**15.6 EPWP Grant**

Balance unspent at beginning of year		-	-
Current year receipts		1 000 000	2 125 000
Conditions met - transferred to revenue		(1 000 000)	(2 125 000)
<b>Conditions still to be met - remain liabilities (see note 10)</b>		<b>-</b>	<b>-</b>

*The grant was used by municipality to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic*

**15.7 LGSeta**

Balance unspent at beginning of year		206	(1 664)
Current year receipts		56 700	1 871
Conditions met - transferred to revenue		-	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>		<b>56 906</b>	<b>206</b>

*This grant is used for skills development within KMLM*

**16 OTHER INCOME**

Other Income		573 079	218 239
		<b>573 079</b>	<b>218 239</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

	Note	2015 R	2014 R
<b>17 EMPLOYEE RELATED COST</b>			
Employee related costs - Salaries and Wages		14 769 484	13 137 579
Employee related costs - Contributions for UIF, pensions and medical aids		3 495 323	3 371 483
Travel, motor car, accommodation, subsistence and other allowances		3 970 442	3 735 491
Housing benefits and allowances		216 449	260 094
Performance and other bonuses		756 627	1 542 529
Long-service awards		75 325	165 340
Other employee related costs		661 587	303 166
<b>Total Employee Related Costs</b>		<b>23 945 237</b>	<b>22 515 681</b>
<i>Included in above summary of Employee Related Costs is the following:</i>			
<b>17.1 REMUNERATION OF THE MUNICIPAL MANAGER</b>			
Annual Remuneration		1 191 619	1 306 091
Performance- and other bonuses		-	-
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		192 000	135 020
Contributions to UIF, pension and medical aid		96 196	89 291
<b>Total</b>		<b>1 479 815</b>	<b>1 530 403</b>
<b>17.2 REMUNERATION OF THE CHIEF FINANCE OFFICER (ACTING)</b>			
Annual Remuneration		196 742	148 343
Performance- and other bonuses		13 623	12 757
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		444 274	423 906
Contributions to UIF, pension and medical aid		48 565	44 922
<b>Total</b>		<b>703 203</b>	<b>629 928</b>
<b>17.3 REMUNERATION OF CORPORATE SERVICES DIRECTOR</b>			
Annual Remuneration		579 049	542 796
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		138 338	179 129
Contributions to UIF, pension and medical aid		8 237	129 798
<b>Total</b>		<b>725 625</b>	<b>851 723</b>
<b>17.4 REMUNERATION OF COMMUNITY SERVICES DIRECTOR</b>			
Annual Remuneration		534 154	517 471
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		94 474	88 526
Contributions to UIF, pension and medical aid		121 920	122 359
<b>Total</b>		<b>884 786</b>	<b>728 357</b>
<b>17.5 REMUNERATION OF GOOD GOVERNANCE DIRECTOR (ACTING)</b>			
Annual Remuneration		183 780	141 101
Performance- and other bonuses		13 623	12 757
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		473 893	351 664
Contributions to UIF, pension and medical aid		48 831	44 591
<b>Total</b>		<b>720 126</b>	<b>550 112</b>



**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
<b>18 REMUNERATION OF COUNCILLORS</b>			
Executive Mayor		593 669	616 799
Acting Mayor		-	51 396
Speaker		577 216	534 020
Executive Committee Members		2 639 405	2 465 551
Councillors		2 819 551	2 610 042
Councillors' pension and medical aid contributions		500 931	644 095
Councillors' allowances		2 110 802	1 682 197
<b>Total Councillors' Remuneration</b>		<b>9 241 574</b>	<b>8 604 101</b>
<b>In-kind Benefits</b>			
<i>The Mayor, Speaker and Mayoral Committee Members are full-time employees. Each is provided with an office and secretarial support at the cost of the Council.</i>			
<i>The Mayor has use of the Council owned vehicle with two full time drivers for official duties.</i>			
<b>19 IMPAIRMENT OF ASSETS</b>			
<i>The movement in bad debts are set out below:</i>			
Increase in provision of impairment of receivables		2 016 229	347 718
		<b>2 016 229</b>	<b>347 718</b>
<b>20 GRANTS AND SUBSIDIES PAID</b>			
Bray Bakery		79 283	-
Community Works Programme		-	165 054
Wild Silk Africa Plant		-	63 711
Crafts Development Project		305 822	197 746
Ecocircle garden system		74 414	-
Goat Breeding Project		291 974	644 518
Heritage programmes		150 443	476 374
SMME Development		22 000	-
Nursery Development Project		107 893	57 067
Reratile Peace Project		226 990	53 179
Disaster Management		186 152	140 915
Mitigation and Global Warming		-	36 603
Woman Empowerment		-	155 737
<b>Total</b>		<b>1 444 971</b>	<b>1 990 903</b>
<b>21 DEPRECIATION AND AMORTISATION</b>			
Property, plant and equipment		41 928 899	39 485 933
Intangible Assets		34 113	10 083
<b>Total Depreciation and Amortisation</b>		<b>41 963 012</b>	<b>39 496 016</b>
<b>22 FINANCE COSTS</b>			
Creditors		302 376	561 653
<b>Total Finance Costs</b>		<b>302 376</b>	<b>561 653</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
<b>23 GENERAL EXPENSES</b>			
Included in general expenses are the following:-			
Advertising		597 064	429 789
Audit fee		2 534 378	2 082 949
Bank charges		181 910	147 647
Books and publications		49 317	70 644
Bursaries		591 220	916 893
Community functions		2 014 686	2 164 214
Congresses and conferences		18 565	-
Disability Funds		68 149	3 912
Employee assistance and wellness		715 320	383 950
Entertainment - Councillors		36 106	22 928
Entertainment - Officials		21 450	26 864
Excellence Awards		246 004	-
Expanded Public Works Programme		2 697 533	3 482 671
Pauper Burials		280 619	90 883
General Expenses		801 590	1 424 700
Health Support Programmes		45 816	-
Insurance premiums		785 277	836 653
Internet charges		114	272 536
Legal expenses		691 372	1 012 288
Licenses and Permits		103 395	-
Maintenance of Illegal/Dumping Site		11 306 673	10 533 126
Mayoral inauguration		914 862	22 019
Mayoral Outreach Programmes		418 603	302 355
Membership fees : Societies		538 616	894 737
MME Development		12 600	-
Postage stamps and telegraphs		-	1 069
Printing and stationery		804 015	412 008
Promotion and marketing		631 576	1 048 643
Refreshments and meals		838 113	567 290
Rental : Equipment		1 016 645	1 218 267
Small tools and equipment		127 817	168 917
Software expenses		1 140 954	1 237 875
Sundry expenses		-	186 267
Telephone		639 487	595 168
Training and courses		1 539 089	1 318 998
Travel and subsistence : Councillors		1 016 929	324 689
Travel and subsistence : Officials		1 803 212	1 478 741
Uniforms and protective clothing		39 078	176 291
Vehicles : Fuel and oil		2 614 525	2 391 031
Vehicles : Licenses		17 506	16 066
Youth and Elderly Support Programmes		450 544	127 500
Water and Electricity		3 423 695	3 833 510
Ward Participation Support		1 983 567	2 215 866
Workmans compensation		448 079	-
<b>Total</b>		<b>44 206 068</b>	<b>42 439 952</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

	Note	2015 R	2014 R
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**24 CONTRACTED SERVICES**

Accounting services		9 431 175	2 326 849
Assessment Rates		4 096 605	3 097 895
Fleet Management System		102 700	-
IT Services		4 626 257	425 288
Performance Management System		350 000	140 000
Risk Assessment		100 000	-
Security services		4 449 781	3 113 485
Valuation roll		-	986 439
VAT Recovery		3 724 516	-
		<b>26 881 035</b>	<b>10 089 956</b>

**25 GAIN / (LOSS) ON SALE OF ASSETS**

Property, plant and equipment	(1 704 214)	(297 019)
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>(1 704 214)</b>	<b>(297 019)</b>

**26 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	(27 420 259)	(6 284 335)
<i>Adjustment for:-</i>		
Depreciation and amortisation	41 963 012	39 496 016
(Gain)/Loss on sale of assets	1 704 214	297 019
Gain / (loss) on fair value adjustments	(364 000)	863 648
Impairment	2 016 229	347 718
Increase/(decrease) in provisions	11 356 022	11 115 687
<b>Operating surplus before working capital changes:</b>	<b>29 255 218</b>	<b>45 835 754</b>
 (Increase)/decrease in trade receivables	 9 111 343	 7 523 667
(Increase)/decrease in other receivables	684 373	(1 413 358)
(Increase)/decrease in VAT receivable	5 371 227	(8 285 028)
Increase/(decrease) in trade payables	1 208 582	15 113 585
Increase/(decrease) in conditional grants and receipts	(4 838 268)	(41 227 706)
<b>Cash generated by/(utilised in) operations</b>	<b>40 792 474</b>	<b>17 546 913</b>

**27 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	2 166 699	3 889 624
Short term investments	23 929 528	22 713 154
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>26 096 227</b>	<b>26 602 778</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

	<b>Note</b>	<b>2015 R</b>	<b>2014 R</b>
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**28 CORRECTION OF ERROR**

Adjustments were made to amounts previously reported in the annual financial statements of the municipality. Below is the impact of the "correction of error" adjustments on the Statement of Financial Position, Statement of Financial Performance and the Cash Flow Statement.

<b>Previous Disclosure 2014</b>	<b>Restated Disclosure 2014</b>	<b>Correction of Error</b>
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**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

**Current assets**

Cash and cash equivalents	26 602 777	26 602 778	-
Trade receivables from non-exchange transactions	2 641 114	11 692 887	9 051 773
Other receivables from non-exchange transactions	5 074 636	1 196 047	(3 878 589)
Inventories	-	-	-
VAT receivable	15 920 761	16 427 335	506 575

**Non-current assets**

Property, plant and equipment	254 994 210	945 901 032	690 906 822
Intangible Assets	80 191	80 191	-
Investment Properties	70 754 373	41 229 000	(29 525 373)

**Total assets**

<b>376 068 062</b>	<b>1 043 864 506</b>	<b>667 796 445</b>
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**LIABILITIES**

**Current liabilities**

Trade and other payables from exchange transactions	15 407 352	15 567 160	159 808
Current provisions	10 992 506	11 010 592	18 087
Current portion of unspent conditional grants and receipts	5 773 919	5 775 600	1 681

**Non-current liabilities**

Non-current provisions	800 068	661 766	(138 302)
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**Total liabilities**

<b>32 973 844</b>	<b>33 015 118</b>	<b>41 274</b>
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**Net assets**

<b>343 094 217</b>	<b>1 010 849 388</b>	<b>667 755 171</b>
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**NET ASSETS**

Accumulated surplus / (deficit)	343 094 217	1 010 849 389	667 755 172
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**Total net assets**

<b>343 094 217</b>	<b>1 010 849 389</b>	<b>667 755 172</b>
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**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>Note</b>	<b>2015 R</b>	<b>2014 R</b>
<b>CORRECTION OF ERROR</b>	<b>Previous Disclosure 2014</b>	<b>Restated Disclosure 2014</b>	<b>Correction of Error</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>			
<b>Revenue</b>			
Property Rates	6 692 201	6 692 201	-
Property rates - penalties imposed and collection charges	-	-	-
Rental of facilities and equipment	863 184	509 821	(353 364)
Interest earned - External Investments	1 865 683	1 865 683	-
Interest earned - Outstanding Receivables	-	-	-
Government grants and subsidies	118 030 911	114 182 911	(3 848 000)
Other income	160 789	218 239	57 450
<b>Total revenue</b>	<b>127 612 769</b>	<b>123 468 855</b>	<b>(4 143 914)</b>
<b>Expenses</b>			
Employee related cost	21 804 960	22 515 681	710 721
Remuneration of councillors	8 604 101	8 604 101	-
Impairment of Assets	(7 626)	347 718	355 344
Depreciation and amortisation	14 484 713	39 496 016	25 011 303
Grants and subsidies paid	1 990 903	1 990 903	-
Finance Costs	204 246	561 653	357 407
Repairs and maintenance	2 522 555	2 546 544	23 989
Contracted services	10 031 804	10 089 956	58 152
General Expenses	42 388 128	42 439 952	51 824
<b>Total expenses</b>	<b>102 023 783</b>	<b>128 592 522</b>	<b>26 568 739</b>
Gain / (loss) on sale of assets	(297 019)	(297 019)	-
Gain / (loss) on fair value adjustments	(1 163 648)	(863 648)	300 000
<b>Surplus / (deficit) for the period</b>	<b>24 128 318</b>	<b>(6 284 335)</b>	<b>(30 412 653)</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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	Note	2015 R	2014 R
<b>CORRECTION OF ERROR</b>	<b>Previous Disclosure 2014</b>	<b>Restated Disclosure 2014</b>	<b>Correction of Error</b>
<b>CASH FLOW STATEMENT</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>	<b>81 046 226</b>	<b>80 066 429</b>	<b>(979 797)</b>
Sales of goods and services	13 860 524	14 215 867	355 344
Grants	76 801 524	72 955 206	(3 846 318)
Interest received	1 865 683	1 865 683	-
Other receipts	(11 481 505)	(8 970 327)	2 511 178
<b>Payments</b>	<b>68 798 505</b>	<b>62 519 516</b>	<b>(6 278 989)</b>
Employee costs	19 173 159	20 004 095	830 935
Suppliers	49 421 100	41 953 769	(7 467 331)
Non-cash items		-	-
Interest paid	204 246	561 653	357 407
<b>Net cash flows from operating activities</b>	<b>12 247 721</b>	<b>17 546 913</b>	<b>5 299 193</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	(40 560 441)	(45 859 634)	(5 299 192)
Purchase of intangible assets	(90 274)	(90 274)	-
Proceeds from sale of fixed assets	1 179 715	1 179 715	-
<b>Net cash flows from investing activities</b>	<b>(39 471 000)</b>	<b>(44 770 192)</b>	<b>(5 299 192)</b>
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>	<b>(27 223 279)</b>	<b>(27 223 279)</b>	<b>-</b>
<b>Net cash and cash equivalents at beginning of period</b>	<b>53 826 056</b>	<b>53 826 056</b>	<b>-</b>
<b>Net cash and cash equivalents at end of period</b>	<b>26 602 777</b>	<b>26 602 777</b>	<b>-</b>

**The detail on each individual error is set out below:**

**28.1 Opening Balance on Trade Payables**

The 2014 trade payables were understated that caused certain expenditure items and an addition on property, plant and equipment to also be understated.

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Property, plant and equipment (Increase/(Decrease))</i>	23 806
<i>VAT Receivable (Increase/(Decrease))</i>	67 814
<i>Trade and Other Payables ((Increase)/Decrease)</i>	(1 228 401)
<i>Prepayments (Increase/(Decrease))</i>	175 561
<b>Net effect on Statement of Financial Position</b>	<b>(961 221)</b>

Statement of Financial Performance

<i>General Expenses (Increase/(Decrease))</i>	133 965
<i>Employee Related Costs (Increase/((Decrease)</i>	826 094
<i>Interest Paid (Increase/((Decrease))</i>	1 163
<b>Net effect on Statement of Financial Performance</b>	<b>961 221</b>
<b>Net effect on Accumulated surplus opening balance</b>	<b>-</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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	<b>Note</b>	<b>2015 R</b>	<b>2014 R</b>
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## **28.2 Dr Ruth S Mompoti Receivable**

The 2014 receivable of Dr Ruth Mompoti for EPWP Grant not received due to the discontinuation of the EPWP programme.

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Current Portion of Unspent portion Conditional Grants (Increase)/Decrease</i>	-
<i>Other receivables from non-exchange transactions(Increase/(Decrease))</i>	(375 000)

Net effect on Statement of Financial Position	(375 000)
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Statement of Financial Performance

<i>Government Grants and Subsidies ((Increase)/Decrease)</i>	375 000
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Net effect on Statement of Financial Performance	(375 000)
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Net effect on Accumulated surplus opening balance	-
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## **28.3 Equitable Share**

Equitable Share from 2014 that was recognised as receivable was not received by National Treasury.

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Other receivables from non-exchange transactions(Increase/(Decrease))</i>	(3 473 000)
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Net effect on Statement of Financial Position	(3 473 000)
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Statement of Financial Performance

<i>Government Grants and Subsidies ((Increase)/Decrease)</i>	3 473 000
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Net effect on Statement of Financial Performance	(3 473 000)
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Net effect on Accumulated surplus opening balance	-
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## **28.4 Receivables**

Reallocation of unallocated receipts and other receivables.

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Other receivables from non-exchange transactions(Increase/(Decrease))</i>	13 555
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<i>Trade and other payables from exchange transactions ((Increase)/Decrease)</i>	(13 555)
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Net effect on Statement of Financial Position	-
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Net effect on Accumulated surplus opening balance	-
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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
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## 28.5 Retentions

Retentions recognised in prior years were not correctly valued. This has now been corrected

The comparative amount has been restated as follows:

Statement of Financial Position

Trade and other payables from exchange transactions ((Increase)/Decrease)

Retentions	1 181 326
<u>Property, Plant and Equipment (Increase/(Decrease))</u>	
Halls	1 497 134
Community Buildings	1 135 734
Recreation Grounds	161 382
Roads	2 307 181
Electricity Network	173 956
VAT Receivable (Increase/(Decrease))	438 761
Net effect on Statement of Financial Position	6 895 473
Net effect on Accumulated surplus opening balance	(6 895 473)

## 28.5 Leave Accrual

The leave accrual was understated in 2014 due to the interns being left out and some days being incorrectly calculated

The comparative amount has been restated as follows:

Statement of Financial Position

<u>Trade and other payables from exchange transactions ((Increase)/Decrease)</u>	(4 841)
Net effect on Statement of Financial Position	(4 841)

Statement of Financial Performance

<u>Employee Related Costs (Increase/(Decrease))</u>	4 841
Net effect on Statement of Financial Performance	(4 841)
Net effect on Accumulated surplus opening balance	-

## 28.6 Trade Receivables - Rates and Taxes

The receivable on Public Works were not recognised for the financial years ending 30 June 2011, 30 June 2012 and 30 June 2013

The comparative amount has been restated as follows:

Statement of Financial Position

<u>Trade receivables from non-exchange transactions (Increase/(Decrease))</u>	10 478 790
Net effect on Statement of Financial Position	10 478 790
Net effect on Accumulated surplus opening balance	(10 478 790)



**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
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**28.6 Long-Service Provision**

The long-service provision was incorrectly calculated in 2014

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Current Provisions ((Increase)/Decrease)</i>	(18 087)
<i>Non-current Provisions ((Increase)/Decrease)</i>	138 302
Net effect on Statement of Financial Position	120 215

Statement of Financial Performance

<i>Employee Related Costs (Increase/(Decrease))</i>	(120 215)
Net effect on Statement of Financial Performance	120 215
Net effect on Accumulated surplus opening balance	-

**28.7 Property, Plant and Equipment**

Property, plant and equipment was incorrectly valued in the prior years. The balances have now been corrected based on the adjusted fixed asset register.

The comparative amount has been restated as follows:

Statement of Financial Position

Property, plant and equipment (Increase/(Decrease))

<i>Land</i>	(6 732 557)
<i>Servitudes</i>	(1 777 820)
<i>Buildings</i>	25 482 308
<i>Taxi Ranks</i>	(97 842)
<i>Roads</i>	594 073 794
<i>Storm Water Network</i>	(396 424)
<i>Electricity Network</i>	3 271 437
<i>Parks &amp; Gardens</i>	(572 456)
<i>Libraries</i>	351 037
<i>Recreation Grounds</i>	(2 447 716)
<i>Halls</i>	37 866 773
<i>Community Buildings</i>	31 379 527
<i>Cemeteries</i>	362 250
<i>Office Equipment</i>	178 022
<i>Furniture &amp; Fittings</i>	3 103 464
<i>Machinery and Equipment</i>	(908 006)
<i>Official Vehicles</i>	575 602
<i>Computer Equipment</i>	874 368
<i>Other Assets</i>	1 021 868

Net effect on Statement of Financial Position	685 607 630
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Statement of Financial Performance

<i>Depreciation (Increase/(Decrease))</i>	25 011 303
Net effect on Statement of Financial Performance	25 011 303
Net effect on Accumulated surplus opening balance	(710 618 933)

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
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## 28.8 Unallocated Receipts

Reallocation of unallocated receipts to relevant line items in financial statements.

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Current Portion of Unspent Conditions Grants ((Increase)/Decrease)</i>	(1 682)
<i>Trade and other payables from exchange transactions ((Increase)/Decrease)</i>	17 419
<i>Trade receivables from non-exchange transactions((Increase)/(Decrease))</i>	(15 288)

Net effect on Statement of Financial Position	450
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Statement of Financial Performance

Other Income ((Increase)/Decrease)	(450)
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Net effect on Statement of Financial Performance	(450)
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Net effect on Accumulated surplus opening balance	(0)
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## 28.9 Other receivables from non-exchange transactions

Reallocation of 2014 medical aid deduction to correct medical aid vote

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Other receivables from non-exchange transactions (Increase/(Decrease))</i>	1 967
<i>Other receivables from non-exchange transactions (Increase/(Decrease))</i>	(1 967)
Net effect on Statement of Financial Position	-

Net effect on Accumulated surplus opening balance	-
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## 28.10 Trade Receivables - Rates and Taxes and Rental Receivables

Correction of 2014 misallocation error between rates and taxes, rental receivables and unallocated receipts

The comparative amount has been restated as follows:

Statement of Financial Position

<i>Trade receivables from non-exchange transactions (Increase/(Decrease))</i>	
Rates and Taxes	(138 289)
<i>Trade receivables from exchange transactions (Increase/(Decrease))</i>	
Rental receivables	170 504
<i>Trade and other payables from exchange transactions ((Increase)/Decrease)</i>	
Other Creditors	(32 215)
Net effect on Statement of Financial Position	-

Net effect on Accumulated surplus opening balance	-
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	Note	2015 R	2014 R
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**28.11 Other receivables - Staff Debt**

An employee was involved in a motor vehicle accident in one of Council's vehicles. The employee was not authorised to use the vehicle and the excess on the damages incurred are now being recovered from said employee. This was not accounted for in 2014.

The comparative amount has been restated as follows:

Statement of Financial Position

*Other receivables from non-exchange transactions (Increase/(Decrease))*

Other receivables 51 000

*Trade and other payables from exchange transactions ((Increase)/Decrease)*

Other creditors 6 000

Net effect on Statement of Financial Position 57 000

Statement of Financial Performance

*Other Income ((Increase)/Decrease)* (57 000)

Net effect on Statement of Financial Performance (57 000)

Net effect on Accumulated surplus opening balance -

**28.12 Investment Properties**

Investment Property was incorrectly valued in the prior years. This balances has now been corrected based on the revaluation performed.

The comparative amount has been restated as follows:

Statement of Financial Position

*Investment Properties (Increase/(Decrease))* (29 525 373)

Statement of Financial Performance

*Gain/Loss on fair value adjustments ((Increase)/Decrease)* (300 000)

Net effect on Statement of Financial Performance (300 000)

Net effect on Accumulated surplus opening balance 29 825 373

**28.13 Rental Receivables**

Rental Income errors in 2014, now corrected.

The comparative amount has been restated as follows:

Statement of Financial Position

*Trade receivables from exchange transactions (Increase/((Decrease))*

Rental Receivables (708 708)

Net effect on Statement of Financial Position (708 708)

Statement of Financial Performance

*Rental Income ((Increase)/Decrease)* 353 364

*Impairment of Assets (Increase/((Decrease))* 355 344

Net effect on Statement of Financial Performance 708 708

Net effect on Accumulated surplus opening balance -

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
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	Note	2015 R	2014 R
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**28.14 Prepayments**

The prepayment on SARS was incorrectly disclosed in 2014

The comparative amount has been restated as follows:

Statement of Financial Position

*Other receivables from non-exchange transactions (Increase/((Decrease))*

Prepayments (270 704)

*Trade and other payables from exchange transactions ((Increase)/Decrease)*

Other creditors 270 704

Net effect on Statement of Financial Position -

Net effect on Accumulated surplus opening balance -

**28.15 SARS Receivable/Payable**

The SARS payable was incorrectly recognised in 2014

The comparative amount has been restated as follows:

Statement of Financial Position

*Trade and other payables from exchange transactions ((Increase)/Decrease)*

Trade creditors and accruals 353 795

Other creditors (710 039)

Net effect on Statement of Financial Position (356 244)

Statement of Financial Performance

*Interest Paid (Increase/((Decrease))* 356 244

Net effect on Statement of Financial Performance 356 244

Net effect on Accumulated surplus opening balance -

**TOTAL CORRECTION OF ERROR - OPENING BALANCE ((Surplus)/Deficit) (698 167 823)**

**29 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**29.1 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful exp.

Opening balance - 1 299 989 949 690

Fruitless and wasteful expenditure current year 302 376 350 299

Condoned or written off by Council (1 602 365) -

To be recovered – contingent asset -

Fruitless and wasteful expenditure awaiting condonement - **1 299 989**

**Disciplinary steps/criminal proceedings**

The fruitless and wasteful expenditure mainly relates to penalties and interest charged on overdue accounts

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
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**29.2 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance -	87 671 747	66 114 323
Irregular expenditure current year	-	21 557 424
Condoned or written off by Council	(87 671 747)	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<b>-</b>	<b>87 671 747</b>

**Incident & Disciplinary steps/criminal proceedings**

Procurement not in line with the Supply Chain Management Regulations

These contraventions were investigated and presented to council on recovery or write-off in 2014/15 financial year.

i) No criminal of disciplinary steps were taken after investigation process.

ii) No material losses have been recovered.

**29.3 Unauthorised Expenditure**

Reconciliation of Unauthorised expenditure

Opening balance -	26 272 646	13 311 660
Unauthorised expenditure current year	22 691 041	12 960 986
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Unauthorised expenditure awaiting condonement	<b>48 963 686</b>	<b>26 272 646</b>

**Incident & Disciplinary steps/criminal proceedings**

Unauthorised expenditure due to overspending on the budget

**30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**30.1 Audit fees**

Opening balance	168 621	465 845
Current year audit fee	2 889 036	2 595 619
Amount paid - current year	(2 851 240)	(2 434 093)
Amount paid - previous years	(168 622)	(458 750)
<b>Balance unpaid (included in payables)</b>	<b>37 795</b>	<b>168 621</b>

**30.2 VAT Receivable**

VAT input receivable is shown in note 4

4

<b>11 056 109</b>	<b>16 427 335</b>
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**30.3 PAYE, UIF and SDL**

Opening balance	49 120	-
Current year payroll deductions	4 790 521	3 350 310
Amount paid - current year	(3 642 748)	(3 301 191)
<b>Balance unpaid (included in payables)</b>	<b>1 196 892</b>	<b>49 120</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>Note</b>	<b>2015 R</b>	<b>2014 R</b>
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**30.4 Pension and Medical Aid Deductions**

Opening balance		(17 355)	-
Current year payroll deductions and Council Contributions		6 103 084	6 010 661
Amount paid - current year		(6 103 084)	(6 028 016)
<b>Balance unpaid (included in payables)</b>		<b>(17 355)</b>	<b>(17 355)</b>

**30.5 Councillor arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:	<b>Outstanding &lt; 90 days</b>	<b>Outstanding &gt; 90 days</b>	<b>Total</b>
<b>as at 30 June 2015</b>			
None outstanding			-
<b>Total Councillor Arrear Consumer Accounts</b>	-	-	-

**30.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (MFMA)**

Non-compliance due to contravention of the Supply Chain Management Regulations stipulated in Chapter 11 of the MFMA has been disclosed in note 29.2	<b>29.2</b>	-	<b>87 671 747</b>
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**31 CAPITAL COMMITMENTS**

**31.1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>50 200 116</b>	<b>60 946 115</b>
Property, plant and equipment	50 200 116	60 946 115
<b>- Approved and not yet contracted</b>	<b>311 780 000</b>	<b>32 716 100</b>
Property, plant and equipment	311 780 000	32 716 100
<b>Total</b>	<b>361 980 116</b>	<b>93 662 215</b>
This expenditure will be financed from:		
- Government Grants	360 422 379	92 164 426
- Own resources	1 557 737	1 497 789
	<b>361 980 116</b>	<b>93 662 215</b>

**32 EVENTS AFTER REPORTING DATE**

**as at 30 June 2015**

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2015 R	2014 R
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### **33 RETIREMENT BENEFIT INFORMATION**

#### **33.1 Defined contribution plan**

An amount of R 3 795 763 (2014: R2 484 846) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

### **34 CONTINGENT LIABILITY**

#### **34.1 Mr K Dijwe**

900 000

900 000

*Mr Dijwe instituted an action against the municipality for the recovery of damages that he allegedly suffered as a result of the alleged malicious prosecution. The High Court in Mmabatho gave an order of Absolution from the instance after closure of the plaintiff's case, an application for leave to appeal was dismissed. The order was overturned on appeal will therefor continue, should the appeal success, the trial will be proceeded with. The likelihood is that the appeal will succeed in favour of the Plaintiff.*

#### **34.2 Continued medical aid benefits**

335 111

238 322

*Kagisano-Molopo local municipality was formed through a merger of Kagisano and Molopo local municipality. The former Molopo Local municipality offered some of its employees, as part of the conditions of service, a benefit of continuation of the medical aid subsidy provided during employment upon the employees' retirement from the municipality.*

*There is uncertainty as to whether the aforementioned benefit obligation is applicable to the employees of the merged Kagisano-Molopo Municipality and in particular if the former employees of the former Molopo local municipality were transferred with this benefit. The employee contracts make no mention of this benefit and it is the opinion of the Municipality that employees are no longer entitled to receive this benefit.*

*There is a possibility that the former Molopo employees will however demand post-employment medical aid benefit from the municipality and will base it on the constructive obligation created by Molopo. There is likelihood that this may result in litigation, and employees of the municipality demanding the same obligation upon retirement is reached.*

*An independent valuation has been performed by Independent Actuaries & Consultants (Pty) Ltd estimating the the amounts applicable.*

#### **34.3 Nduza Security & Cleaning Services CC**

7 000 000

-

*This entity instituted legal action againsts the Municipality for the recovery of an amount of R6 499 094.40 being in respect of damages that it allegedly suffered as a result of the fact that the Municipality awarded a tender for the provision of security services to an opposing tenderer. The matter is being defended by the Municipality.*

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

	Note	2015 R	2014 R
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**34.4 MH Office Machines and Stationers CC**

120 000

-

*This entity instituted legal action against the Municipality for the recovery of an amount of R69 638.36 allegedly due to it in respect of delivered and services rendered. The matter is being defended.*

**8 355 111**

**1 138 322**

**35 CONTINGENT ASSET**

**35.1 Nduza Security & Cleaning Services CC**

-

45 000

*The firm lodged an application to take execution against the Municipality despite the lodging of an appeal. The application was successfully opposed. We are in the process of having our bill of costs drafted and shall continue with attempts at recovery of same after taxation*

*In the 2014 the judgment was given in favour of the Municipality, and the Plaintiff paid the related costs. The timing and uncertainty of the amount receivable at year-end is not known.*

*During 2014-15, the matter has been finalised and the cost recovered.*

**35.2 Insurance Claim**

139 475

139 475

*Raider Dc 2.7 vehicle was involved in an accident during the 2013/2014 financial year.. The claim was submitted on the 7th of May 2013; however no response from the insurance company was received as at 30 June 2014.*

*Therefore, the timing and uncertainty of the amount receivable at year-end is not known.*

**139 475**

**184 475**

**36 RELATED PARTIES**

**36.1 Members of key management - Section 57**

Mr AR Khuduge

-

-

Mr OO Ntsimane (Acting)

-

-

Adv BG Selebogo

-

-

Ms GE Kegopotsemang

-

-

Mr OE Pitso (Acting)

-

-

**-**

**-**

*No related party transactions occurred between the municipality and its key management*

*Declarations of interest was circulated to all employee of the municipality and a CIPRO search performed.*

**Compensation to councillors and other key management (refer to note 17 & 18)**



**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

	Note	2015 R	2014 R
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**36.2 Purchases from (sales to) persons in service of state**

None

-	-
---	---

**36.3 Shared Internal Audit Service**

Dr Ruth S Mompoti District Municipality

-	-
---	---

**Total Related Party Transactions**

-	-
---	---

**37 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:

**37.1 Impairment of receivables**

Management has an accounting policy in place to provide for the impairment of bad debts. The policy requires individual assessment of long outstanding debtors

The carrying value of the impairment for bad debt is: (6 764 803) (4 357 154)

The impairment provided for in the Statement of financial performance is: 2 016 229 347 718

The following amount of bad debts were written off and was approved by management and condoned by council (and is included in the amount as per Statement of financial performance)

- -

**37.2 The useful lives and residual values of property, plant, and equipment**

In accordance with GRAP 17 the municipality implemented an accounting policy to determine if there is any indication that the municipality's expectations about the residual value and the useful life of the asset have changed since the preceding reporting period.

The carrying value of assets at year end, subject to the annual review is: 943 507 293 945 901 031

**37.3 Provision for long service award**

**Financial Assumptions** It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

**Discount Rate:** IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The R186 2026 maturity bond traded at a discount rate of % per annum on 30 June 2015 has been used. per annum has been used. This rate does not reflect any adjustment for taxation.

**General Salary Increase:** This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.25% and 1.5% above CPI inflation.

We assessed the general salary increases over the last 3 years and thus a general average salary inflation rate of 7.14% per annum. It has been assumed that the next salary increase will take place in 1 July 2015

**Average Retirement Age:** The Municipality has a normal retirement age of 65. It has been assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement.

**KAGISANO-MOLOPO LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2015**

	Note	2015 R	2014 R
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### **38 RISK MANAGEMENT**

#### **38.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a small customer base. Management evaluates credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Current Account (Primary Bank Account) - ABSA Acc nr: 407801332	3 889 624	3 889 624
Other short-term investments	23 929 528	22 713 154
Trade receivables	989 122	12 888 934

These balances represent the maximum exposure to credit risk.

#### **38.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities.

#### **38.3 Interest rate risk**

At year end, financial instruments exposed to interest rate risk were as follows:

Call deposits	23 929 528	22 713 154
---------------	------------	------------

### **39 GOING CONCERN ASSUMPTION**

Management believes that the Going Concern assumption is appropriate

### **40 COMPARISON WITH THE BUDGET**

The financial statements and the budget is approved on an accrual basis by functional classification. The approved budget covers the financial period from 1 July 2014 to 30 June 2015.

The financial statements and budget information are prepared for the same period. The financial statements are prepared using a classification of nature of expenses in the Statement of Financial Performance.

The comparison of the Municipality's actual financial performance with that budgeted is set out in APPENDIX D

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

for the year ended 30 June 2015

Cost / Revaluation								Accumulated Depreciation				Carrying Value
Opening Balance		Additions	Disposals	Other Movements	Under Construction Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/ Other Movements	Closing Balance	
Cost	Under Construction											
R	R	R	R	R		R	R	R	R	R	R	R
Land												
Land												
149 307	-	-	-	-	-	-	149 307	-	-	-	-	149 307
<b>149 307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149 307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149 307</b>
<b>Buildings</b>												
Buildings												
35 705 205	-	82 050	-	-	-	-	35 787 255	(6 679 723)	(1 198 219)	-	(7 877 942)	27 909 313
Taxi Ranks												
349 560	-	-	-	-	-	-	349 560	(118 488)	(11 652)	-	(130 140)	219 420
<b>36 054 765</b>	<b>-</b>	<b>82 050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36 136 815</b>	<b>(6 798 211)</b>	<b>(1 209 871)</b>	<b>-</b>	<b>(8 008 082)</b>	<b>28 128 733</b>
<b>Infrastructure</b>												
Roads												
906 045 942	4 156 705	19 452 880	-	-	(17 650 264)	17 256 264	929 261 527	(180 709 803)	(31 290 847)	-	(212 000 650)	717 260 878
Electricity												
29 891 990	4 373 506	-	-	-	-	5 852 256	40 117 752	(6 851 342)	(1 141 890)	-	(7 993 232)	32 124 520
Network												
<b>935 937 932</b>	<b>8 530 212</b>	<b>19 452 880</b>	<b>-</b>	<b>-</b>	<b>(17 650 264)</b>	<b>23 108 520</b>	<b>969 379 279</b>	<b>(187 561 145)</b>	<b>(32 432 737)</b>	<b>-</b>	<b>(219 993 882)</b>	<b>749 385 397</b>
<b>Community Assets</b>												
Parks & Gardens												
43 750	-	-	-	-	-	-	43 750	(26 979)	(1 458)	-	(28 437)	15 313
Libraries												
3 618 465	-	-	-	-	-	-	3 618 465	(784 001)	(120 616)	-	(904 617)	2 713 849
Recreation												
3 636 156	1 115 957	6 406 727	-	-	(6 406 727)	5 290 770	10 042 883	(815 752)	(166 842)	-	(982 594)	9 060 289
Grounds												
97 507 125	16 569 546	19 015 538	-	-	(18 997 603)	18 828 227	132 922 833	(19 601 674)	(3 397 306)	-	(22 998 980)	109 923 852
Halls												
35 489 355	10 774 568	-	-	-	(14 537 274)	-	31 726 650	(7 027 137)	(1 182 979)	-	(8 210 116)	23 516 534
Community Buildings												
-	569 250	-	-	-	-	4 277 706	4 846 956	-	-	-	-	4 846 956
Cemeteries												
<b>140 294 851</b>	<b>29 029 321</b>	<b>25 422 265</b>	<b>-</b>	<b>-</b>	<b>(39 941 604)</b>	<b>28 396 703</b>	<b>183 201 536</b>	<b>(28 255 543)</b>	<b>(4 869 201)</b>	<b>-</b>	<b>(33 124 744)</b>	<b>150 076 792</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

for the year ended 30 June 2015

Cost / Revaluation							Accumulated Depreciation				Carrying Value
Opening Balance	Additions	Disposals	Other Movements	Under Construction Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/ Other Movements	Closing Balance	
Cost	Under Construction										
R	R	R	R	R	R	R	R	R	R	R	R

**Other Assets**

Office

Equipment

Furniture &

Fittings

Machinery and

Equipment

Official Vehicles

Computer

Equipment

Other Assets

1 485 973	-	278 419	-	(340 806)		-	1 423 585	(349 508)	(230 505)	138 828	(441 185)	982 400
6 210 782	-	1 575 453	-	(538 501)		-	7 247 734	(1 006 257)	(1 091 971)	211 078	(1 887 150)	5 360 583
6 208 705	-	-	-	(6 000)		-	6 202 705	(1 285 187)	(610 628)	1 069	(1 894 746)	4 307 959
5 464 287	-	-	-	(813 000)		-	4 651 287	(1 315 460)	(772 215)	277 302	(1 810 373)	2 840 914
2 317 067	-	344 777	(8 233)	(591 622)		-	2 061 988	(443 240)	(483 554)	213 319	(713 475)	1 348 513
1 488 395	-	186 494	-	(360 912)		-	1 313 976	(256 013)	(228 218)	96 949	(387 282)	926 694
23 175 208	-	2 385 142	(8 233)	(2 650 842)	-	-	22 901 275	(4 655 666)	(3 417 091)	938 545	(7 134 211)	15 767 063
-												
1 135 612 062	37 559 533	47 342 337	(8 233)	(2 650 842)	(57 591 868)	51 505 223	1 211 768 211	(227 270 564)	(41 928 899)	938 545	(268 260 918)	943 507 293

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2014

	Cost / Revaluation							Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Other Movements	Under Construction Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/ Other Movements	Closing Balance	
	Cost	Under Construction										
	R		R	R		R	R	R	R	R	R	R
<b>Land</b>												
Land	149 307	-	-	-	-	-	149 307	-	-	-	-	149 307
	<b>149 307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149 307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149 307</b>
	-							-	-	-	-	
<b>Buildings</b>												
Buildings	35 705 205	-	-	-	-	-	35 705 205	(5 489 549)	(1 190 174)	-	(6 679 723)	29 025 482
Taxi Ranks	349 560	-	-	-	-	-	349 560	(106 836)	(11 652)	-	(118 488)	231 072
	<b>36 054 765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36 054 765</b>	<b>(5 596 385)</b>	<b>(1 201 826)</b>	<b>-</b>	<b>(6 798 211)</b>	<b>29 256 554</b>
<b>Infrastructure</b>												
Roads	869 165 916	23 323 872	36 880 026	-	-	(36 880 026)	17 712 859	910 202 647	(150 481 947)	(30 227 855)	-	729 492 845
Electricity Network	29 891 990	2 920 283	-	-	-	-	1 453 223	34 265 496	(5 709 452)	(1 141 890)	-	27 414 154
	<b>899 057 906</b>	<b>26 244 155</b>	<b>36 880 026</b>	<b>-</b>	<b>-</b>	<b>(36 880 026)</b>	<b>19 166 083</b>	<b>944 468 143</b>	<b>(156 191 399)</b>	<b>(31 369 746)</b>	<b>-</b>	<b>756 906 999</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2014

	Cost / Revaluation							Accumulated Depreciation				Carrying Value	
	Opening Balance		Additions	Disposals	Other Movements	Under Construction Capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/ Other Movements		Closing Balance
	Cost	Under Construction											
	R	R	R	R	R		R	R	R	R	R		R
Community Assets													
Parks & Gardens	43 750	-	-	-	-		-	43 750	(25 521)	(1 458)	-	(26 979)	16 771
Libraries	3 618 465	-	-	-	-		-	3 618 465	(663 385)	(120 616)	-	(784 001)	2 834 464
Recreation													
Grounds	2 386 200	1 249 956	1 249 956	-	-	(1 249 956)	1 115 957	4 752 113	(736 212)	(79 540)	-	(815 752)	3 936 361
Halls	85 948 590	14 418 776	11 558 535	-	-	(11 558 535)	13 709 305	114 076 670	(16 736 721)	(2 864 953)	-	(19 601 674)	94 474 997
Community Buildings	35 489 355	10 084 568	-	-	-	-	690 000	46 263 923	(5 844 159)	(1 182 979)	-	(7 027 137)	39 236 786
Cemeteries	-	362 250	-	-	-	-	207 000	569 250	-	-	-	-	569 250
	127 486 360	26 115 550	12 808 490	-	-	(12 808 490)	15 722 262	169 324 172	(24 005 997)	(4 249 545)	-	(28 255 543)	141 068 629
Other Assets													
Office													
Equipment	1 169 000	-	316 973	-	-	-	-	1 485 973	(153 652)	(195 856)	-	(349 508)	1 136 465
Furniture & Fittings	4 697 307	-	1 513 474	-	-	-	-	6 210 782	(362 951)	(643 306)	-	(1 006 257)	5 204 524
Machinery and Equipment	3 518 705	-	2 880 000	(190 000)	-	-	-	6 208 705	(842 869)	(523 991)	81 673	(1 285 187)	4 923 518
Official Vehicles	8 364 317	-	413 028	(2 923 126)	(389 932)	-	-	5 464 287	(2 388 423)	(776 908)	1 849 871	(1 315 460)	4 148 827
Computer													
Equipment	1 881 758	-	435 309	-	-	-	-	2 317 067	(177 833)	(265 407)	-	(443 240)	1 873 827
Other Assets	1 318 483	-	169 912	-	-	-	-	1 488 395	(91 445)	(164 568)	-	(256 013)	1 232 382
	20 949 571	-	5 728 696	(3 113 126)	(389 932)	-	-	23 175 208	(4 017 173)	(2 570 036)	1 931 544	(4 655 666)	18 519 543
	-							-					
GRAND TOTAL	1 083 697 909	52 359 705	55 417 212	(3 113 126)	(389 932)		34 888 345	1 173 171 596	(189 810 954)	(39 391 153)	1 931 544	(227 270 564)	945 901 032

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
for the year ended 30 June 2015

	Cost / Revaluation						Accumulated Depreciation					
	Opening Balance		Other		Under							
	Cost/WIP	Additions	Movements	Disposals	Construction	Under	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying value
	R	R	R	R	Capitilised	Construction	R	R	R	R	R	R
Office of the Mayor	170 993	164 806	-	-			335 799	(30 906)	(32 171)	-	(63 077)	R 272 722
Office of the Speaker	468 916	15 974	(194 564)	-			290 325	(34 410)	(89 311)	41 775	(81 946)	R 208 379
Office of the Municipal Manager	318 019	143 662	(140 150)	-			321 531	(50 064)	(59 161)	42 202	(67 023)	R 254 508
Office of Budget & Treasury	1 336 464	312 882	(342 211)	(8 233)			1 298 901	(328 927)	(255 739)	154 916	(429 750)	R 869 151
Office of Corporate Services	15 426 063	69 466	(1 490 526)	-			14 005 002	(3 410 513)	(1 979 887)	545 486	(4 844 913)	R 9 160 089
Office of Community Services	2 351 165	272 503	(119 877)	-			2 503 791	(431 857)	(367 717)	48 640	(750 934)	R 1 752 857
Office of Technical Services	1 153 099 977	46 363 043	(363 513)	-	(57 591 868)	51 505 223	1 193 012 862	(222 983 887)	(39 144 915)	105 527	(262 023 275)	R 930 989 588
<b>Total</b>	<b>1 173 171 596</b>	<b>47 342 337</b>	<b>(2 650 842)</b>	<b>(8 233)</b>	<b>(57 591 868)</b>	<b>51 505 223</b>	<b>1 211 768 211</b>	<b>(227 270 564)</b>	<b>(41 928 899)</b>	<b>938 545</b>	<b>(268 260 918)</b>	<b>943 507 293</b>

**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2015

2014	2014	2014	2014
REVENUE	EXPENSES	OTHER	Surplus / (Deficit)
R	R	R	R
2 884 678	7 543 231	-	(4 658 552)
4 121 380	11 744 989	-	(7 623 609)
1 202 796	4 678 591	-	(3 475 795)
24 793 585	16 485 537	865 516	7 442 533
7 160 315	18 597 297	295 152	(11 732 134)
36 720 798	6 976 886	-	29 743 912
46 585 302	62 565 992	-	(15 980 689)
<b>123 468 855</b>	<b>128 592 522</b>	<b>1 160 667</b>	<b>(6 284 334)</b>

Office of the Mayor  
Office of the Speaker  
Office of the Municipal Manager  
Office of Budget & Treasury  
Office of Corporate Services  
Office of Community Services  
Office of Technical Services  
**Total**

2015	2015	2015	2015
REVENUE	EXPENSES	OTHER	Surplus / (Deficit)
R	R	R	R
50 658	7 436 762	-	(7 386 104)
-	14 661 975	-	(14 661 975)
-	4 438 610	-	(4 438 610)
68 253 377	28 295 204	(364 000)	40 322 173
-	26 917 446	1 704 214	(28 621 660)
23 212 748	5 411 445	-	17 801 302
34 231 221	64 666 608	-	(30 435 387)
<b>125 748 004</b>	<b>151 828 050</b>	<b>1 340 214</b>	<b>(27 420 259)</b>



**KAGISANO-MOLOPO LOCAL MUNICIPALITY**  
**APPENDIX D**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**  
**for the year ended 30 June 2015**

	<b>Actual</b>	<b>Adjustments</b>	<b>Variance</b>		
	<b>R</b>	<b>Budget</b>	<b>Over/(Underspent)</b>	<b>Variance</b>	<b>Explanation of significant variances greater than 10% versus budget</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
<b>REVENUE</b>					
Property Rates	9 547 738	9 804 000	-256 262	-3%	<i>No explanation required</i>
Property rates - penalties imposed and collection charges	-	-	-	0%	<i>No explanation required</i>
Rental of facilities and equipment	852 383	1 250 000	-397 617	-32%	<i>Certain investment properties are not occupied currently. These rooms are available for occupation</i>
Interest earned - External Investments	1 843 835	1 100 000	743 835	68%	<i>No withdrawals were made from any investment accounts, therefore the interest collected was higher during the year under review</i>
Government grants and subsidies	112 930 968	91 589 000	21 341 968	23%	<i>Conditional grants received were spent on applicable projects, furthermore there were also an increase in completed projects during the year, resulting in additional revenue being recognised</i>
Other income	573 079	630 000	-56 921	-9%	<i>No explanation required</i>
<b>EXPENDITURE</b>					
Employee related cost	23 945 237	27 204 951	-3 259 714	-12%	<i>No explanation required</i>
Remuneration of councillors	9 241 574	9 113 624	127 950	1%	<i>No explanation required</i>
Impairment of Assets	2 016 229	2 836 000	-819 771	-29%	<i>There was a completeness issue as well as incorrect unit rates applied in the prior year, a total review of the values of the assets took place.</i>
Depreciation and amortisation	41 963 012	21 800 000	20 163 012	92%	<i>No explanation required</i>
Grants and subsidies paid	1 444 971	1 350 000	94 971	7%	<i>No explanation required</i>
Finance Costs	302 376	125 000	177 376	142%	<i>Resulting from the late payment of creditors caused by post office strike</i>
Repairs and maintenance	1 827 546	1 580 000	247 546	16%	<i>This is a result of the nature of the component and spending cannot</i>
Contracted services	26 881 035	24 380 000	2 501 035	10%	<i>No explanation required</i>
General Expenses	44 206 068	40 747 433	3 458 635	8%	<i>No explanation required</i>